



CRS Report for Congress: Tax Cuts, the Business Cycle, and Economic Growth: A Macroeconomic Analysis October 5, 2001 - RL30839

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By -

BiblioGov. Paperback. Book Condition: New. This item is printed on demand. Paperback. 22 pages. Dimensions: 9.7in. x 7.4in. x 0.1in. With reports of an economic downturn, support has been mounting for an additional tax cut this year to stimulate the economy. Regardless of the implications of tax levels and structure for equity, fairness, intergenerational debt burden, and the role and size of government, any tax reduction will affect the macroeconomy. This report is limited to analyzing these macroeconomic effects. Tax cuts have distinct short run and long run effects. Oftentimes, they are at odds with each other. In the short run, tax cuts that are funded through a reduced surplus increase aggregate demand and influence the business cycle if they are spent. If the economy is in recession, then the tax cuts are likely to raise growth in the short run. If the economy is operating at full capacity, the boost in aggregate demand will quickly be dissipated through higher interest rates, inflation, and a larger trade deficit. If a tax cut is meant to prevent a recession by providing a short-term stimulus, its efficacy should be judged by how much spending (or dissaving) it generates. The efficacy of a tax...



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